Communities Economic Development Fund

ANNUAL REPORT

1990 — 91

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communities economic development fund

June 28, 1991

Honourable Jim Downey,
Minister Responsible for
Communities Economic Development Fund
Room 333, Legislative Building,
Winnipeg, Manitoba
R3C OV8

Dear Mr. Downey,

In accordance with the provisions of the Communities Economic Development Fund Act, I enclose the report for the fiscal year ended March 31st, 1991, signed and certified in the prescribed manner.

Respectfully Submitted,

H. Westdal

Harold Westdal
Interim Chairperson

/dl

Enc.

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THOMPSON, MANITOBA R8N 0N6
TOLL FREE 1-800-561-4315
PHONE (204) 778-4138 FAX (204) 778-4313

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1800 - 155 CARLTON STREET
WINNIPEG, MANITOBA R3C 3H8
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DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Mr. Harold Westdal (Interim Chairman)	Winnipeg
Mr. Elbert Chartrand	Swan River
Mr. George Dram	Wabowden
Mr. Leonard McKay	Norway House
Ms. Betty Thorsteinson	Westbourne
Mr. Peter Wintemute	Winnipeg
Mr. Jim McIvor (Appointed Dec. 1990)	Thompson

OFFICERS

Ms. Loretta Clarke	General Manager
Mr. Rein Roelofs	Manager of Finance/ Corporate Secretary

REPORT OF THE GENERAL MANAGER

June 24, 1991

MANDATE

The mandate of the Communities Economic Development Fund is to support the economic development of northern and rural Manitoba by providing financial and other assistance to entrepreneurs and economic enterprises in the creation and preservation of small business in Manitoba. The Fund works to maximize the interaction between itself and other provincial and federal agencies as well as with industry to encourage developmental initiatives in Manitoba.

DECENTRALIZATION

A major thrust of the Fund in this fiscal year was to decentralize the head office from Winnipeg to Thompson. The positions of General Manager, Manager of Finance, Corporate Secretary, Comptroller, Administrative Assistant, two Consultants and two Administrative Secretaries were decentralized to Thompson. Two Consultants positions were maintained in Winnipeg and one Consultant position was established in Swan River. The position of Loans Manager remained unfilled for the remainder of the fiscal year as the Fund's management reviewed and re-defined job descriptions. Decentralization to the North brought the Fund's management closer to its client base and strengthened the Fund in its northern mandate. The decentralization took place in August, 1990.

As a result of the decentralization, the cost-sharing arrangement and the joint administration of the Manitoba Development Corporation and the Communities Economic Development Fund was officially terminated as of December 31, 1990.

STATISTICS AND REPORTS

A total of 30 loans totalling $1,737,344 were approved by the Fund in 1990-91. Approximately eighty jobs were maintained or created by the new loans. Administration costs cover the monitoring of the existing loans portfolio as well as new board submissions. The total number of jobs in business enterprises supported by the Fund's loans is estimated at 450. Administrative costs indicate a slight rise due to increased communications and travel costs. Consultants' and management's visits to clients have increased over the past year.

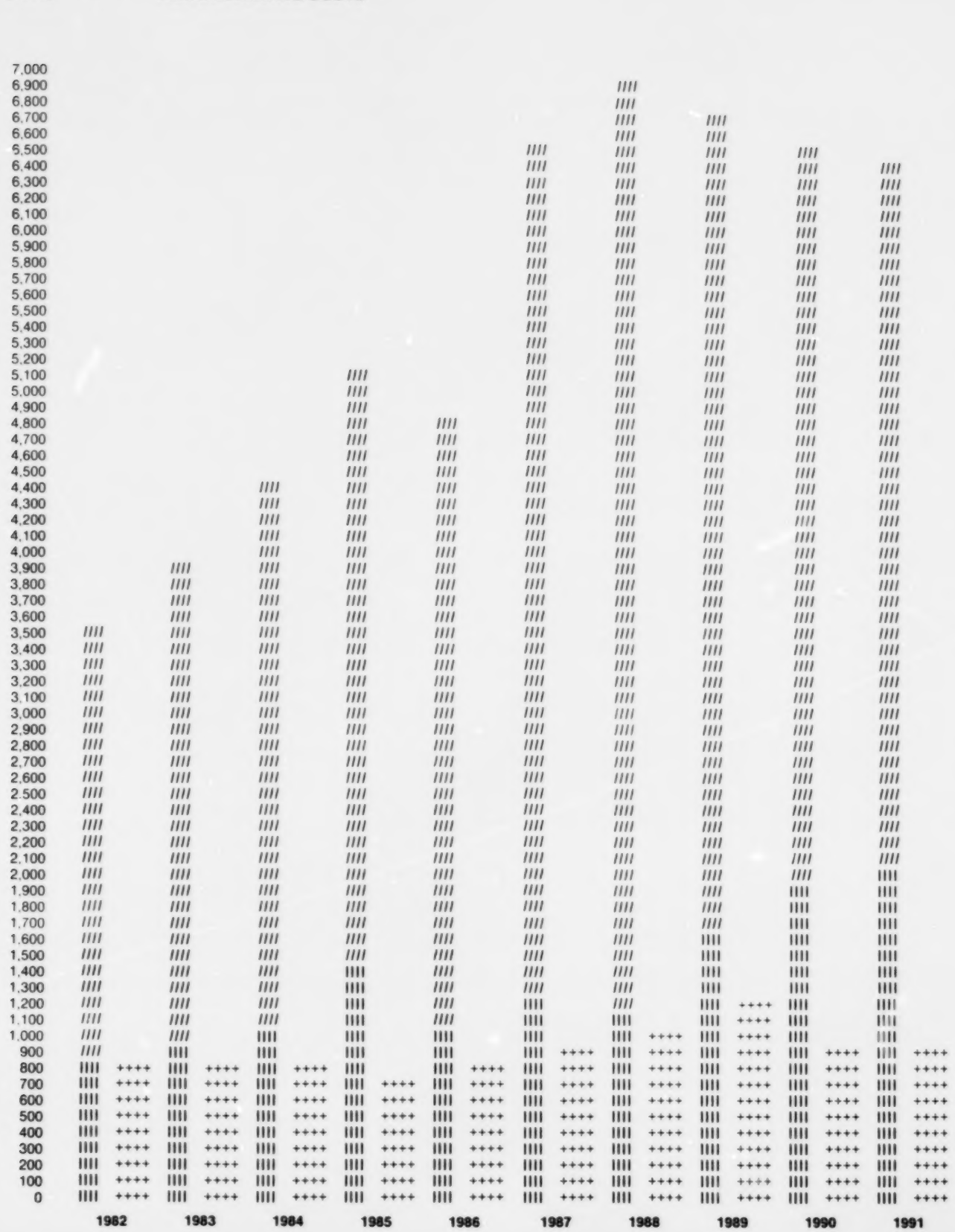
BOARD OF DIRECTORS

The Board held ten regular monthly meetings as well as special meetings to address policy matters, strategic planning, current operations and loan submissions.

Respectfully submitted,

Loretta Clarke, General Manager

LOAN / EXPENSE RATIOS



REPORT OF LOANS PROVIDED OR TO BE PROVIDED

FISCAL YEAR	APPLICATIONS APPROVED	AMOUNT	JOBS CREATED AND/OR RETAINED
1972	19	$ 389,500	56
1973	82	1,349,750	125
1974	43	983,983	100
1975	16	731,910	73
1976	18	374,470	100
1977	38	704,658	108
1978	20	510,399	103
1979	20	556,459	92
1980	37	1,982,791	144
1981	34	1,180,740	120
1982	46	2,800,140	176
1983	31	2,138,275	138
1984	49	2,080,595	144
1985	63	2,326,548	172
1986	43	2,909,735	159
1987	66	3,573,294	215
1988	70	3,550,050	210
1989	22	725,243	31
1990	38	1,681,090	136
1991	30	1,737,344	80
	785	$32,286,974	2,482

COMMUNITIES ECONOMIC DEVELOPMENT FUND

LOANS APPROVED IN THE PERIOD APRIL 1, 1990 — MARCH 31, 1991.

		TOWN/CITY	Interest	Repayment (months)	LOAN	Nature of Operation
569	Jack Fleming	Pine River	12.5	120	78,450	Hotel
576	Brian Biblow	Mafeking	12.125	36	30,855	Trucking
583	Gerald Kemp	Berens River	12.5	21	31,000	Skidder
589	Charles W. Lewis	The Pas	12.125	36	9,475	Neon Service
584	Reney M. Thomas	Traverse Bay	12.5	12	17,000	Skidder
572	Lawreen Reid	Churchill	12.5	36	25,435	Rentals
558	Rock Island Dozer	Wabowden	12.125	60	94,485	Construction
598	Guy Lambert	St. Laurent	12.125	12	13,375	Lodge
602	Audrey Ducharme	Thompson	12.125	36	24,290	Restaurant
599	Wabman Trucking	Wabowden	12.125	6	98,000	Trucking
610	Brian Ladoon	Churchill	12.125	69	20,755	Trucking
586	Nelson Beauchamp	Camperville	12.125	36	8,473	Skidder
621	Draft Enterprises	Eriksdale	11.375	12	150,000	Manufacturing
634	Ron Beardy	Cross Lake	12	24	25,000	Skidder
625	Fred Spence	Hodgson	12	60	29,000	Skidder
630	Hilbert Mosiondz	Wabowden	12	24	100,000	Slasher
626	Park North Construction	Riverton	11.375	24	25,000	Logging
647	Denis Trudel	Norway House	11.375	24	55,080	Bulk Fuel
633	Roy & Rose Anne MacKenzie	The Pas	11.375	120	39,000	Store
635	Magson's Camp & Outfitters	Lynn Lake	11.5	30	47,692	Camp
546	Byron & Barbara Lindell	The Pas	11.5	120	94,550	Campgrounds
636	Melvin Gosselin	Swan River	11.5	48	37,990	Trucking
639	Joseph Delaronde	Duck Bay	11.375	24	2,810	Confection
642	Joe Danttouze	Lac Brochet	11.375	12	11,875	Sm.Motor Repair
644	George Sanderson	Wabowden	11.5	36	402,000	Feller Buncher
627	Thomas J. Monkman	Lundar	11.25	60	46,300	Trucking
652	Gary Dudar	Dauphin	11.25	60	23,625	Skidder
649	E. Bercier & Sons	Moose Lake	11.00	24	39,000	Road Const.
650	Stanley Bert Livingston	Thompson	10.625	72	150,000	Meat Packing
178	Richard Francoeur	The Pas	10.625	60	6,829	Home Repairs
					1,737,344	

SIEL
STREUBER
FISKE
& COMPANY

COMMUNITIES ECONOMIC DEVELOPMENT FUND

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SILL
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&COMPANY
CHARTERED ACCOUNTANTS

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OFFICES AT
SELKIRK
MORDEN
WINKLER
ALTONA

PARTNERS
N. FISKE C.A.
R.M. MCLEAN C.A.
M.M. JONES C.A.
S.G. ANDREW C.A.
N. FRY C.A.
B.J. MARTENS C.A.
D.J. ANDERSON C.A.
R. BLOCK C.A.
A.D. BUCHAN C.A.
K.W. GRUGER C.A.
D.A. WEBB C.A.
W.W. KING, ATTY C.A.
D.A. KUBIK C.A.
D.W. STREUBER C.A.

CONSULTANT
E.B. STREUBER C.A.

HUBERT BEADE C.A. (1910-1945) THOMAS SILL C.A. (1907-1989)

AUDITORS' REPORT

We have audited the balance sheet of Communities Economic Development Fund as at March 31, 1991 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Sill Streuber Fiske & Company.

Winnipeg, Manitoba
May 16, 1991

Chartered Accountants

SILL
STREUBER
FISKI
&COMPANY

COMMUNITIES ECONOMIC DEVELOPMENT FUND

BALANCE SHEET
March 31, 1991

ASSETS

	1991	1990
Cash and term deposits	$2,824,886	$2,375,143
Due from Province of Manitoba (Note 7)	717,294	836,575
Accounts receivable	10,296	650
Loans and mortgages receivable (Notes 2 and 4)	4,400,487	4,598,159
Fixed assets (Notes 2 and 8)	47,782	39,517
	$8,000,745	$7,850,044

LIABILITIES

Accounts payable and accrued liabilities	$ 200,328	$ 112,388
Due to Manitoba Development Corporation (Note 2)	25,194	26,433
Accrued pension liability (Note 2)	358,000	294,000
Advances by the Province of Manitoba (Note 3)	7,417,223	7,417,223
	$8,000,745	$7,850,044

Approved on behalf of the Board

Director Director

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STREUBER
FISKE
& COMPANY

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF OPERATIONS
Year ended March 31, 1991

	1991	1990
EXPENDITURES		
Administrative (Page 8)	$ 917,360	$ 895,893
Provision for doubtful accounts		
Approved in current fiscal year	5,000	68,600
Approved in previous fiscal year	281,765	66,951
Approved in prior years	477,569	569,452
	$1,681,694	$1,600,896
REVENUE		
Loan interest	$ 609,253	$ 620,265
Miscellaneous	31,831	38,501
	$ 641,084	$ 658,766
Net costs of operations before other items	$1,040,610	$ 942,130
OTHER ITEMS		
Past service pension fund costs (Note 2)	$ 89,268	$ 141,000
Court award and legal costs (Note 10)	41,020	200,449
Decentralization expense (Note 9)	132,355	
Cancelation of previous debt		(100,000)
	$ 262,643	$ 241,449
Excess of expenditures over revenue	$1,303,253	$1,183,579
SUBSIDY FROM THE PROVINCE OF MANITOBA	1,303,253	1,183,579
	$ --	$ --

SILL STREUBER FISKE & COMPANY

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
Year ended March 31, 1991

	1991	1990
CASH PROVIDED (USED) BY		
Operating activities		
Operations		
Excess of expenditures over revenue	$(1,303,253)	($1,183,579)
Items not involving cash		
Depreciation	14,935	10,318
Provision for doubtful accounts	764,334	705,003
Cancellation of previous debt from Province		100,000
	$ (523,984)	$ (368,258)
Net change in non-cash working capital balances	260,336	24,504
	$ (263,648)	$ (343,754)
Lending activities		
Loans issued	($1,320,273)	($1,378,269)
Loan principal payments	753,611	1,374,421
(Purchase) disposal of office equipment	(23,200)	13,616
	$ (589,862)	$ 9,768
Financing activities		
Subsidy - Province of Manitoba (Note 1)	$1,303,253	$1,183,579
Advances by the Province of Manitoba (Note 3)		(100,000)
	$1,303,253	$1,083,579
Increase in cash and term deposits	$ 449,743	$ 749,593
Cash and term deposits, beginning of year	2,375,143	1,625,550
Cash and term deposits, end of year	$2,824,886	$2,375,143

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1991

NOTE 1

Nature of the Fund

The Communities Economic Development Fund (The Fund) was established as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. The Fund places emphasis upon the economic development of northern Manitoba. However, applicants from other communities outside the city of Winnipeg, within the Province are also considered. To carry out this objective it is not practical to pass on all of the Fund's costs to the users of its services. As a result, the Fund depends on a subsidy from the Province of Manitoba.

NOTE 2

Significant accounting policies

Allowance for doubtful accounts

The allowance for doubtful accounts on loans and interest receivable is based on a specific percentage provision for all accounts in arrears over ninety days plus a provision on an account by account basis where deemed necessary. In addition, a non-specific provision equal to 5% of the remaining loans, not specifically provided for, has been made. This non-specific provision is intended to cover unforeseen losses on loans which have not yet been identified.

Administrative expenses

The Fund was jointly administered with the Manitoba Development Corporation (MDC) until December 31, 1990. Common administrative expenses were reviewed and allocated between MDC and The Fund on a proportionate basis.

Pension expense and obligations

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the fund has recorded a provision to fund current service obligations. In the fiscal year under observation the balance of the past service obligation has been provided for. The total liability as at March 31, 1991 amounts to $358,000.

Depreciation

Office furniture and equipment is depreciated at 10% on a straight-line basis, with exception of computer equipment and software which is depreciated at a rate of 33 1/3% per annum.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1991

NOTE 3

Advances by the Province of Manitoba

Funds are advanced by the Province by way of interest-free conditional grants to a revolving funds for the purpose of making direct loans and guarantees. Any funds drawn in excess of current needs are deposited with the Province interest free. If the Communities Economic Development Fund should cease operations then all remaining funds will be returned to the Province.

The funds advanced are as follows:

	1991	1990
Balance, beginning of year	$7,417,223	$7,517,223
Debt cancelled during the year		(100,000)
	$7,417,223	$7,417,223
Unused loan act capital available		
For the purpose of - Direct loans	$3,005,000	$3,005,000
Guarantees	1,400,000	1,400,000
	$4,405,000	$4,405,000

NOTE 4

	1991	1990
Loans and mortgages receivable		
Loans receivable	$5,883,885	$5,902,737
Mortgages receivable	110,864	221,204
Accrued interest	428,140	389,118
	$6,422,889	$6,513,059
Allowance for doubtful loans (Note 5)	2,022,402	1,914,900
	$4,400,487	$4,598,159

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1991

NOTE 5
Allowance for doubtful accounts
The change in the allowance is accounted for as follows:

	1991			1990
	Specific	Non-Specific	Total	Total
Balance, beginning of year	$1,728,100	$ 186,800	$1,914,900	$1,642,700
Provision during the year	762,217	2,117	764,334	705,003
	$2,490,317	$ 188,917	$2,679,234	$2,347,703
Accounts written off	(656,832)		(656,832)	(432,803)
Balance, end of year	$1,833,485	$ 188,917	$2,022,402	$1,914,900

NOTE 6

Loan commitments and contingent liabilities	1991	1990
Undisbursed balance of approved loans	$ 628,365	$ 250,355
Contingent liability - bank loan guarantees	$ --	$ --

NOTE 7
Due from Province of Manitoba
The Province of Manitoba provided a grant to cover the Fund's anticipated subsidy requirements for the year ended March 31, 1991. The amount of $717,294 (1990-$836,575) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	1991	1990
Department of Northern Affairs		
Subsidy	$359,294	$542,575
Pension	358,000	294,000
	$717,294	$836,575

NOTE 8

Fixed assets, at cost	1991	1990
Office furniture and equipment,		
Balance, beginning of year	$ 79,832	$114,670
Purchases during the year	27,275	1,200
Sold during the year	(10,635)	(36,038)
Discarded during the year	(18,712)	
	$ 77,760	$ 79,832
Accumulated depreciation	(29,978)	(40,315)
	$ 47,782	$ 39,517

COMMUNITIES ECONOMIC DEVELOPMENT FUND

NOTES TO FINANCIAL STATEMENTS
March 31, 1991

NOTE 9

Decentralization expense

The Fund moved it's Head Office to Thompson in August, 1990 on part of the Government of Manitoba's decentralization program. Consultants' offices were established in Swan River and Winnipeg. Decentralization expenses includes severance packages, disturbance allowance and moving expenses. The Manitoba Development Corporation has requested an additional $34,153 from the Fund as at March 31, 1991. This amount has not been acknowledged by the Fund and has not been reflected in the statement of operations.

NOTE 10

Court award

In 1980 a judgement was rendered against the Fund which resulted in certain real property being returned to the plaintiff. An estimated assessment of additional legal expenses, resulting from appeals, and interest due is reflected in the statement of operations. The plaintiff has requested a settlement which is $26,689 in excess of the settlement estimated by the Fund. This request is being disputed by the Fund and no liability has been recorded for the disputed amount.

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COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE OF ADMINISTRATIVE EXPENSES
Year ended March 31, 1991

	1991	1990
Communications	$ 37,723	$ 24,210
Consultants' fees and expenses	20,107	3,624
Credit reports	17,467	16,356
Depreciation	14,935	10,318
Directors' fees and expenses	59,322	53,429
Investigation expenses		6,363
Legal and audit	79,515	45,309
Office supplies and expenses	20,306	22,875
Rent and utilities	100,805	122,711
Salaries and employee benefits	521,538	539,091
Sundry	6,157	23,848
Travel	39,485	27,759
	$917,360	$895,893